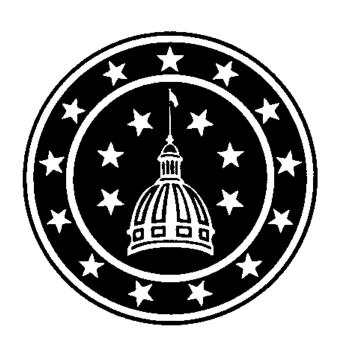
ANNUAL REPORT OF THE REGULATORY FLEXIBILITY COMMITTEE



Indiana Legislative Services Agency 200 W. Washington Street, Suite 301 Indianapolis, Indiana 46204

October, 2006

INDIANA LEGISLATIVE COUNCIL 2006

Senator Robert Garton Speaker Brian Bosma

Vice-Chairman Chairman

Columbus Indianapolis

Senator Richard Young Representative B. Patrick Bauer

Milltown South Bend

Senator James Merritt, Jr. Representative William Friend

Indianapolis Macy

Senator Patricia Miller Representative Kathy Richardson

Indianapolis Noblesville

Senator Thomas Wyss Representative Timothy Brown

Fort Wayne Crawfordsville

Senator David Long Representative P. Eric Turner

Fort Wayne Marion

Senator James Lewis Representative Dale Grubb

Charlestown Covington

Senator Earline Rogers Representative Russell Stilwell

Gary Boonville

Philip J. Sachtleben Executive Director Legislative Services Agency

REGULATORY FLEXIBILITY COMMITTEE

Membership Roster

Representatives

Senators

Jack Lutz, Co-Chairperson Anderson

Thomas Wyss, Co-Chairperson Fort Wayne

David Frizzell

Indianapolis

James Merritt

Indianapolis

Robert Behning

Indianapolis

Beverly Gard Greenfield

James Buck

Kokomo

Michael Delph Carmel

Timothy Neese

Elkhart

Victor Heinold

Kouts

William Ruppel

North Manchester

Brandt Hershman

Monticello

Matt Whetstone

Brownsburg

Vaneta Becker

Evansville

Carlene Bottorff

Jeffersonville

Allie Craycraft Selma

David Crooks

Washington

Larry Lutz

Evansville

Ryan Dvorak

South Bend

Earline Rogers

Gary

Win Moses

Fort Wayne

Connie Sipes

New Albany

Dan Stevenson Highland

Staff

Sarah Burkman Attorney for the Committee

Sarah Freeman Attorney for the Committee

Adam Brown Fiscal Analyst for the Committee

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at http://www.in./legislative/.

I. STATUTORY DIRECTIVE

Under IC 8-1-2.6-4, the Regulatory Flexibility Committee is required to monitor competition in the telecommunications industry. In addition to reviewing an annual report on the industry prepared by the Indiana Utility Regulatory Commission (IURC), the Committee is required to consider the following issues:

- (1) The effects of competition and technological change in the telecommunications industry and the impact of competition on universal service.
- (2) The status of modernization of the publicly available telecommunications infrastructure in Indiana and the incentives required to further enhance the infrastructure.
- (3)The effects of modernization on economic development and educational opportunities.
- (4) The current methods of regulating providers, at both the federal and state levels, and the effectiveness of the methods.
- (5) The economic and social effectiveness of current telecommunications service pricing.
- (6) All other telecommunications issues the committee considers appropriate.

Under IC 8-1-2.5-9, the Committee is also required to monitor changes and competition in the energy utility industry. In addition to reviewing an annual report on the industry prepared by the IURC, the Committee is required to consider the following issues:

- (1) The effects of competition or changes in the energy industry and the impact on residential rates.
- (2) The status of modernization of energy utility facilities in Indiana and the incentives required to further enhance this infrastructure.
- (3) The effects of modernization on economic development.
- (4) The traditional method of regulating energy utilities and the method's effectiveness.
- (5) The economic and social effectiveness of traditional energy utility service pricing.
- (6) The effects of legislation enacted by the United States Congress.
- (7) All other energy utility issues the committee considers appropriate.

As it was urged to do by H.R. 23 (2006), the Legislative Council directed the Committee to study renewable energy development, including wind generated power, during the 2006 interim.

II. INTRODUCTION

The Committee met two times during the 2006 interim session, on September 20, 2006, and September 26, 2006.

At the meeting on September 20, 2006, David Lott Hardy, Chairman of the IURC, presented the IURC's annual reports on the electric, natural gas, and telecommunications industries. Representatives of the telecommunications industry also provided an update on the industry's response to HEA 1279-2006, which was enacted to gradually deregulate basic telecommunications service and establish the IURC as the sole authority for granting statewide video franchises.

The meeting on September 26, 2006, was held at Ball State University and was devoted to the following energy issues: (1) An overview of the Governor's Hoosier Homegrown Energy plan. (2) Revenue decoupling as an alternative rate mechanism in the natural gas industry. (3) Energy assistance for low-income Indiana residents. (4) Indiana's need for new baseload electric generation. (5) Renewable energy development, as directed by H.R. 23 (2006).

The Committee issued no recommendations concerning any of the topics it considered during the interim.

The Committee is not required to file a final report. For further details of the Committee's proceedings, see the Committee's minutes which can be accessed from the General Assembly Homepage at http://www.in.gov/legislative/.